

Message Text

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E.O. 11652: DECLAS IN ONE YEAR

TAGS: ELAB, IT

SUBJECT: BERTOLDI PROPOSAL FOR MODIFIED GUARANTEED WAGE SYSTEM

1. BEGIN SUMMARY.THE CURRENT ECONOMIC RECESSIONHAS
CREATED A FINANCIAL CRISIS IN THE WAGE SUPPLEMENT FUND WHICH
HAS PROVOKED LABOR MINISTER BERTOLDI TO PROPOSE FURTHER IM-
PROVEMENT IN THE GUARANTEED WAGE SYSTEM IN ITALY. DESPITE
RECESSIONARY TRENDS STRIKE ACTIVITY CONTINUES UNABATED. DE-
CREASING MAN HOURS WORKED, I.E.,REDUCED PRODUCTIVITY ALONG
WITH INCREASED PURCHASING POWER HELPS TOEXPLAIN INFLATIONARY
PRESSURES. END SUMMARY.

2. THE NUMBER OF UNDER EMPLOYED WHO ARE DRAWING BENEFITS FROM
THE WAGE SUPPLEMENT FUND (CASSA INTEGRAZIONE GUADAGNI OPERAI
INDUSTRIA) AS A RESULT OF THE CURRENT ECONOMIC RECESSION HAS
NEARLY DOUBLED SINCE APRIL FROM 440,000 TO MORE THAN 860,000.
IN ADDITION, MINISTER OF LABOR BERTOLDI HAS PREDICTED ON
SEVERAL OCCASIONS THAT BY THE END OF 1974 THE NUMBER OF UN-
EMPLOYED IN ITALY WILL EXCEED ONE MILLION, LARGELY IN THE
CONSTRUCTION SECTOR.

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3. THE WAGE SUPPLEMENT FUND IS OPERATED BY THE NATIONAL SOCIAL SECURITY INSTITUTE (INPS) AND FUNDED BY EMPLOYER CONTRIBUTIONS. EMPLOYEES ON REDUCED WORK WEEKS RECEIVE TWO-THIRDS OF WAGES LOST BETWEEN 24 AND 40 HOURS. EMPLOYEES MAY BENEFIT FROM THIS WAGE SUPPLEMENT FOR THREE MONTHS. IN ADDITION, UNDER EXCEPTIONAL CIRCUMSTANCES 80 PERCENT OF WAGES LOST BETWEEN ZERO AND 44 HOURS ARE PAYABLE FOR UP TO NINE MONTHS FROM AN EMERGENCY FUND WHICH IS FINANCED BY THE GOI. CONSTRUCTION WORKERS HAVE A SEPARATE FUND WHICH ALSO PROVIDES FOR 80 PERCENT OF WAGES LOST BETWEEN ZERO AND 40 HOURS PER WEEK.

4. THE NEAR DOUBLING OF EMPLOYEES DRAWING BENEFITS FROM THE WAGE SUPPLEMENT FUND HAS PRODUCED A CURRENT DEFICIT OF 74 BILLION LIRE. THE SPECIAL FUND FOR CONSTRUCTION WORKERS ALSO HAS A DEFICIT OF 193 BILLION LIRE. ON THE OTHER HAND THE EXTRAORDINARY FUND HAS A SURPLUS OF 55 BILLION LIRE. IN ORDER TO RESOLVE THE CURRENT FISCAL CRISIS IN THE WAGE SUPPLEMENT FUND MINISTER BERTOLDI HAS PROPOSED COMBINING THE TWO FUNDS AND RAISING THE BENEFITS PROVIDED UNDER THE WAGE SUPPLEMENT FUND TO 80 PERCENT, WITH A TIME LIMIT FOR THESE GUARANTEED BENEFITS BETWEEN THREE AND NINE MONTHS. EMPLOYERS WOULD PAY ABOUT TEN PERCENT OF THE BENEFITS GIVEN TO WORKERS UNDER THE REFORMED SYSTEM. UNION REPRESENTATION WOULD BE STRENGTHENED IN THE ADMINISTRATION OF THE COMBINED NEW FUND. HAVING GAINED LABOR AGREEMENT FOR HIS PROPOSAL, BERTOLDI IS NOW PRESENTING HIS IDEAS TO THE MANAGEMENT ORGANIZATIONS.

5. COMMENT: BERTOLDI'S PROPOSAL, WHICH AMOUNTS TO A GUARANTEED WAGE FORMULA, MUST BE REGARDED AS INFORMAL SINCE HE IS IN CARETAKER CHARGE OF HIS MINISTRY AFTER THE COLLAPSE OF THE RUMOR GOVERNMENT. AS A SOCIALIST REPRESENTATIVE IN THE CARETAKER GOVERNMENT HE APPEARS TO BE MANEUVERING TO CIRCUMSCRIBE THE TERMS UNDER WHICH THE NEW GOVERNMENT WILL BE ABLE TO COPE WITH THE FISCAL CRISIS IN THE WAGE SUPPLEMENT FUND.

6. WHILE UNEMPLOYMENT AND UNDER EMPLOYMENT ARE NOTABLY INCREASING AS A RESULT OF THE CURRENT ECONOMIC RECESSION, THERE DOES NOT LIMITED OFFICIAL USE

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YET APPEAR TO BE A DIMINUTION OF STRIKE ACTIVITY. A RECENT REPORT OF THE CENTRAL INSTITUTE OF STATISTICS INDICATES NEARLY 45 MILLION MAN HOURS WERE LOST BETWEEN JANUARY AND MAY AS THE RESULT OF STRIKES. MORE THAN 43 PERCENT OF THESE WERE CONCENTRATED IN THE TWO INDUSTRIAL REGIONS OF THE NORTH, PIEMONTE AND LOMBARDY. IN FACT, NEARLY 65 PERCENT OF THE TOTAL MAN HOURS LOST WERE IN THE INDUSTRIAL SECTOR. THE MOST PREVALENT REASON FOR STRIKES DURING THIS PERIOD (44 PERCENT)

WAS RENEWAL OF CONTRACTS. EIGHTEEN PERCENT WAS DUE TO REQUEST FOR SALARY INCREASES.

7. ITALY, AS MOST OTHER INDUSTRIAL COUNTRIES, IS COPING WITH THE ANOMALOUS SITUATION OF RAMPANT INFLATION CONCURRENT WITH ECONOMIC RECESSION. INsofar AS THE LABOR MARKET IS CONCERNED A FEW STATISTICS HELP TO PUT THE INFLATIONARY PICTURE IN CLEARER PERSPECTIVE. THAT IS, DURING THE PAST FIVE YEARS THERE HAS BEEN A NOTABLE DECREASE OF 11 PERCENT IN THE TOTAL OF HOURS WORKED. THIS IS DUE LARGELY TO NEW LABOR CONTRACTS WHICH HAVE REDUCED THE WORK WEEK FROM AN AVERAGE OF 44 OR 45 HOURS PER WEEK TO 40 HOURS PER WEEK, AS WELL AS A NUMBER OF OTHER FACTORS. DESPITE THE REDUCTION OF HOURS WORKED, HOWEVER, EARNINGS HAVE INCREASED BY NEARLY 98 PERCENT. NATIONAL INCOME, ON THE OTHER HAND, INCREASED BY ONLY 69 PERCENT. VOLPE

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